(c) A show Cause Notice has been issued to M/s U.B. Group and Vijaya Malaya by the adjudicating authority.

(d) and (e) Do not arise.

Persistence of Budget Deficit

254. SHRI KARNEUDU BHATTACHARJEE: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the World Bank have in a report warned the country that the persistence of huge Budget deficit will restrain the economic growth of the country;

(b) if so, what are the details of the report; and

(c) the steps proposed to be taken by Government to address the problems highlighted in the report?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN): (a) to (c) The World Bank Country Report entitled "India: Reducing Poverty, Accelerating Development" (January 2000) in Chapter 8; Growth; macro-economic Developments and Policies have made following observations: "The high deficits have several adverse effects. They crowd out private sector borrowing keep interest rates higher than they would otherwise be, raise risks of macro-economic instability, and crowd out public development spending within Government budgets because of the high interest cost of the large stock of Government debt. Hence the high fiscal deficits represent a risk to the development process and its sustainability". With a view to achieve fiscal consolidation, the Budget for 2001-02 emphasises expenditure management throught the process of bringing about structural changes in the composition of Central Government expenditure, economy in non plan revenue expenditure while improving the quality of expenditure. To this end the Budget contains a number of initiatives which among others include restricting fresh

recruitment to one per cent of total civilian staff strength, user charges for services provided by the Government and its agencies to be revised keeping in view the increased cost of these services etc. Further with a view to reduce interest burden, most administered interest rates were reduced by 1.5 per cent as of March 1, 2001. Besides, the Fiscal Responsibility and Budget Management Bill, 2000. was introduced in Parliament in December 2000. This Bill includes provisions relating to ceilings on debt, deficit and borrowing.

Government's Advise to UTI on US-64

255. DR. MANMOHAN SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether Government were informed by the management of the UTI before announcing the suspension of selling and repurchase of its flagship scheme US-64 for six months; and

(b) if so, what was the nature of advice given by Government to the UTI?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) The then Chairman. Unit Trust of India, informed the Government *vide* a letter dated 30 June, 2001 that the US-64 Scheme had faced substantial redemptions in the months of April and May, 2001 which adversely affected the value of its assets portfolio. As such, UTI management felt that the Trust had two options: (a) to make US-64 NAV based; (b) to temporarily suspend sales and repurchases of units under the Scheme.

The 30 June, 2001 letter from UTI also stated that UTI management would recommend to the Board that it may approve the second option.

(b) Under the UTI Act, UTI is managed by its Board of Trustees. Further, since May 1997 Government had no nominee on the UTI Board.

While Government was mindful of the impact of UTI's decision on investors, particularly small investors, it could not intervene at this late stage since it required examination of issues in their entirety to